Determination of sale price of petroleum products

†2908. SHRI RAVI SHANKAR PRASAD:
DR. MURLI MANOHAR JOSHI:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that there is still no permanent system to determine the consumer sale prices of petrol, diesel, LPG and Kerosene oil in the country;

(b) if so, the details in this regard;

(c) the grounds selected to determine consumer sale price of petrol and diesel in every price determination from past two years in the country;

(d) the reasons for selecting different grounds in different periods; and

(e) the reasons for not fixing well determined grounds for it?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) Yes, Sir.

(b) In April 2002, with the declared intention of moving towards market-determined pricing for petroleum products, Government announced the dismantling of the Administered Pricing Mechanism (APM). Nevertheless, the prices of PDS kerosene and domestic LPG continued to be decided by the Government as these are subsidized products. Since the end of 2003, there has been an unprecedented, sharp and spiraling increase in international oil prices combined with considerable week to week and even day to day volatility. Government, therefore, froze the prices of PDS kerosene and began modulating the prices of petrol and diesel also in addition to that of domestic LPG. Since June 2004, Government elucidated the principles which would govern its policy of containing the burden of increase in international prices on consumers of sensitive petroleum products. It was decided that the burden should be equitably shared by consumers, the Government and the oil companies. Therefore, the full impact of the international price increase has not been passed on to consumers of

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sensitive products. In August, 2004 the Government made yet another attempt to move towards market determined pricing by introducing a price band mechanism under which the OMCs were allowed to revise prices of MS/HSD within a band of +/- 10% of the mean of rolling average prices of last 12 months and last quarter. However, the steep and unprecedented rise in prices resulted in breach of the price band within weeks of introduction and the Government was forced to keep the mechanism under abeyance. The comparative figures showing the international prices and the domestic prices of crude and sensitive petroleum products are given the enclosed Statement *(See* below*)*.

(c) The revisions in the retail selling prices of petrol and diesel in Delhi since 01.09.2003 onwards along with the grounds for revision are at Statement-I *(See* below*)*.

(d) and (e) The price revisions effected were on account of the steep increase in international prices coupled with the periodical changes in tax structure based on the Government policy. The Government pricing policy has attempted to strike the right balance between the interests of the stakeholders, namely the consumers, OMCs and the Government. As 76% of the crude requirements are met by imports, the pricing mechanism would need to be responsive to the volatilities of the international market, while seeking the optimal balance of interests.

Statement

The comparative figures showing the International Prices and the domestic prices of crude and sensitive petroleum products

Trend in International Prices

Period	Indian Basket Crude ($/bbl)	Petrol ($/bbl)	Diesel ($/bbl)	Kerosene ($/bbl)	LPG ($/MT)
March 2002	23.31	26.43	23.27	23.65	194.00
2002-03	26.66	30.15	28.93	29.33	280.40
2003-04	27.96	35.03	30.48	31.19	278.45
2004-05	39.22	49.01	46.91	49.50	368.52
2005-06 (Apr-Jul' 05)	51.08	58.85	62.58	66.21	408.30
8th Aug 2005	58.83	70.70	66.49	69.71	403.60
%Increase (8.8. 2005 over Mar'02)	152.4%	167.5%	185.73%	194.75%	108.04%

Trend in Domestic Prices

Period	Petrol Rs./Litre	Diesel Rs./Litre	Kerosene Rs./Litre	LPG Rs./Cyl.
As on 31st March 2002	26.54	16.59	8.98	240.45
As on 8th Aug 2005	40.49	28.45	9.05	294.75
%Increase (8th Aug 2005 over Mar' 02)	52.6%	71.5%	0.8%	22.6%

Statement-I

The revisions in the retail selling prices of petrol & diesel in Delhi since 01.09.2003 *onwards along with the grounds for revision*

Date of price	Petrol (Rs/litre)	Diesel (Rs./litre)	Grounds for revision
1.09.03	32.40	20.33	Change in international prices
16.10.03	31.70	19.73	Change in international prices
16.12.03	32.70	20.73	Change in international prices
01.01.04	33.70	21.73	Change in international prices
16.06.04	35.71	22.74	Change in international prices and changes in Excise duty on petrol & diesel
01.08.04	36.81	24.16	Revision within the price band due to change in international prices
05.11.04	39.00	26.28	Change in international prices
16.11.04	37.84	26.28	Change in international prices of petrol
01.04.05	37.99	28.22	Changes on account of local taxes
04.05.05	37.99	26.45	Changes on account of local taxes
21.06.05	40.49	28.45	Change in international prices